MONTHLY REVIEW

Of Industrial and Financial Conditions in the New England District

By Frederic H. Curtiss, Chairman and Federal Reserve Agent

FEDERAL RESERVE BANK OF BOSTON

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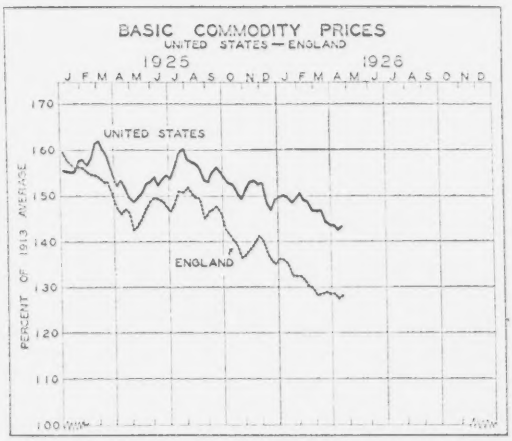
THE SITUATION

The last eight months have been a unique period in New England business history, because during this time business activity has been at an exceptionally stable rate. Since last August, with the exception of one month, the New England business activity index constructed by the bank (which purports to measure the composite rates of activity of leading industries and basic lines) has fluctuated between the narrow limits of 106.5 and 101.5 per cent of the 1922-1923 average.

The New England woolen industry reports more favorable conditions than the woolen industry in other parts of the country. More wool was consumed by New England mills than in January, February or March a year ago. Mills in other sections of the country reported consumption in March much less than a year ago. New England shoe factories reported a larger output of shoes in March than a year ago, the first time an increase has been made since last October. Shoe factories in other parts of the country reported a lower output in March this year than in any of the three preceding years. Although New England cotton mills are not as active as those in the South, output in March, nevertheless, showed a marked increase as compared with either January or February. Paper production and the volume of orders received by manufacturers were large during March. Poor weather conditions have seriously retarded retail trade in New England, with the result that the usual Easter sales were much less than in either of the two preceding years. Trade improved late in April, as the weather became more seasonable. Merchants became more cautious with poor sales, and reduced their outstanding orders for merchandise to a point considerably lower than a year ago. Contracts awarded for new construction in this district during the first quarter of the year were less than a year ago, but greater than two years ago. There has been a marked reduction in contracting for residences, which has more than offset an improvement in contracting for commercial and industrial buildings. Total contracts awarded in the first three weeks of April were 27 per cent larger than in the corresponding weeks a year ago. Commodity prices, both in this country and abroad, have been declining steadily since last summer. Although the decline in this country has been sharp, it has been much more severe in Europe. Commercial paper rates have been higher, on the average, each month so far this year than in the corresponding months a year ago.



Although the trend of basic commodity prices at wholesale has been downward since last summer in both this country and England, commodity prices in the United States are higher in relation to the pre-war average than in England.

Source of data—Federal Reserve Bank of New York.

MONEY AND BANKING

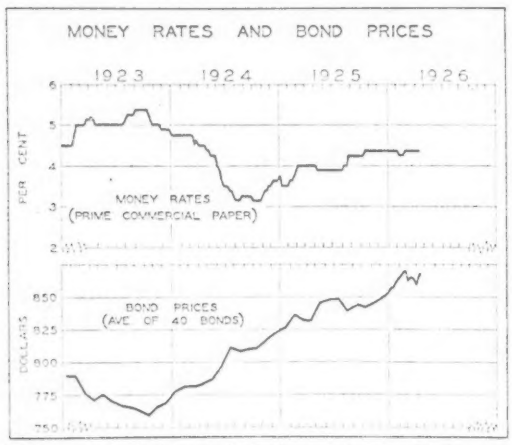
As a general rule, rates in the Boston money market are strong in February and March, but decline in April. This year the decline started after the middle of March, rather than the first of April, due largely to United States Treasury operations. Following the payment of the first instalment of the Federal income tax and the Treasury bond issue, a large volume of Government funds was left on deposit in Boston member banks. The commercial demand for credit at these banks remained almost unchanged during this period, while the demand for loans secured by stocks and bonds declined. In order to employ such Government deposits, therefore, the banks bought heavily of Government securities.

In the second week of April commercial deposits at member banks increased sharply, as is usual during this period. The demand for funds again did not increase with the larger volume of deposits. Just as had been the case in March, the effect was to weaken money rates further. Notwithstanding the decline, rates averaged higher than in April last year.

MONEY RATES

		March 20, 1926	April 17, 1926
Call Money	Boston	4½%	4½%
Commercial Paper	Boston	4¼	4¼
Bankers' Acceptances	Boston	3⅝	3½
Year Collateral Loans	Boston	4¾	4¾
Rediscount Rate	Boston	4	4
Call Money Renewal	New York	4¼	4¼
Commercial Paper	New York	4⅜	4⅜

The decline in money rates and in commodity prices has had a buoyant effect on the security market, causing prices of bonds to rise rapidly.



Money rates declined in April, due in part to seasonal influences. Bond prices were buoyant.

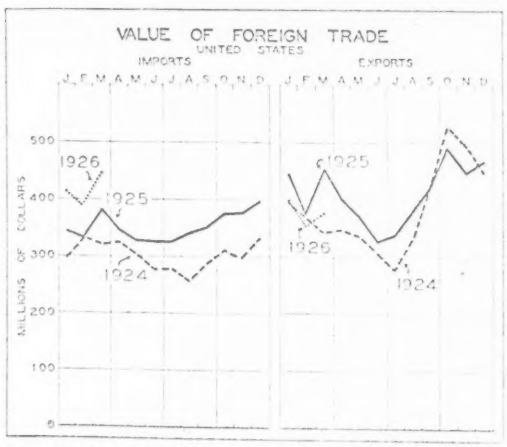
Sources of data—Federal Reserve Bank of New York and "New York Times."

The volume of reserve bank credit in use through the open market operations of the Federal Reserve Bank of Boston increased during March and the first half of April, holdings of both acceptances and Government securities participating in the increase. Larger holdings of acceptances and Government securities result in an increase in the amount of credit in the general money market, and tend to make money rates easier. The use of reserve bank credit by New England member banks through rediscount operations was subject to wide fluctuation in March, due entirely to rapid changes in the volume of rediscounting by the Boston member banks. Rediscounts by New England member banks outside of Boston have remained at an approximately constant volume since the beginning of the year.

Federal reserve notes in circulation declined in March and April, which is contrary to the usual seasonal experience. Spring retail trade usually calls forth from the banks a large volume of pocket money.

Commercial failures continue in large numbers, the total for March in both New England and the country as a whole being larger than in the corresponding months of either of the two preceding years. The liabilities involved in the New England failures were less than a year ago, but greater than two years ago.

Imports of merchandise into the United States have been of exceptionally large volume during the first quarter of this year. Exports, on the other hand, are in smaller volume than last year, and but slightly larger than in the first quarter of 1924.



Total U. S. imports during the first quarter of this year have been very large. Since exports have been relatively low, there has been an adverse balance of trade as a result.

Source of data—U. S. Bureau of Foreign and Domestic Commerce.

RETAIL AND WHOLESALE TRADE

The volume of sales of New England department stores during the first quarter of 1926 was the largest on record for the first quarter of any year. This condition is attributable to the exceptionally large volume of sales during January, since the sales during February and March were low, due chiefly to the snowstorms during February and the cold weather which lasted through the entire Easter season. Since weather conditions were unfavorable until late in April, the weekly sales of the Boston department stores showed little if any improvement during the first three weeks of that month.

SALES CONDITIONS

	Mar., 1926, compared with Mar., 1925	Jan.-Mar., 1926, compared with Jan.-Mar., 1925
Connecticut Department Stores	+ 4.1%	+0.9%
Maine Department Stores	— 3.7	—2.0
Massachusetts Department Stores	+ 5.0	+6.5
Rhode Island Department Stores	— 1.2	+0.5
Vermont Department Stores	— 5.5	—3.0
Boston Department Stores	+ 4.8	+7.2
Boston Women's Apparel Shops	+12.0	+5.9
New Haven Department Stores	+ 2.3	—0.2
Providence Department Stores	— 1.5	+1.1
N. E. Department Stores	+ 4.1	+5.2
N. E. Wholesale Grocers	+ 2.6	—6.4
N. E. Wholesale Shoe Concerns	+ 6.6	—1.7

Since there was an extra selling day during March this year, as compared with March a year ago, there was probably little change in the average daily volume of New England department store sales during March, as compared with March, 1925.

Instalment sales of the New England department stores during March this year increased about 60 per cent over March, 1925.

Both wholesale shoe and wholesale grocery concerns in New England had a larger volume of March business than during March of either of the two preceding years. In the sale of shoes at wholesale during March, conditions similar to those in February prevailed, with sales of rubber footwear far greater than in March a year ago, while sales of leather footwear were slightly less.

CREDIT CONDITIONS

Percentage of Open Accounts Outstanding at the First of March Collected During March

	1925	1926
Boston Department Stores	46.2%	48.4%
Boston Women's Apparel Shops	50.8	50.3
New Haven Department Stores	58.4	53.2
Providence Department Stores	47.6	50.5
N. E. Department Stores	48.6	49.8
N. E. Wholesale Grocery Concerns	72.0	73.0
N. E. Wholesale Shoe Concerns	56.2	58.0

Wholesale collections were good during March, but retail collections of both regular and instalment accounts were not as favorable as they have been for some time past. Retail collections of regular accounts, although more rapid than a year ago, were slower than during 1922, 1923 or 1924.

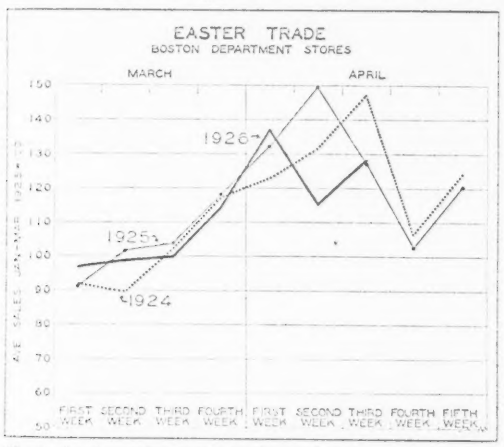
SALES AND STOCKS BY DEPARTMENTS

New England Department Stores

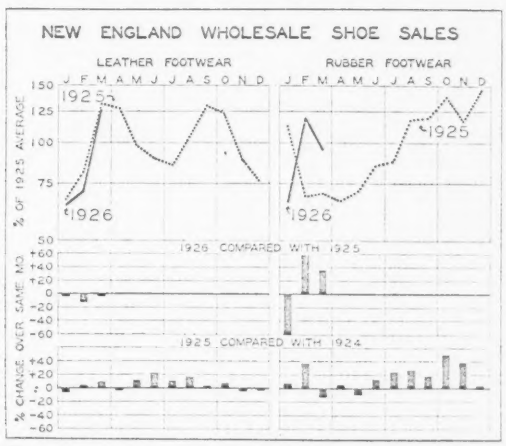
January-March, 1926, compared with January-March, 1925

	Sales	Stocks
Silk and Velvet Dress Goods	+ 1.6%	+ 0.5%
Woolen Dress Goods	—32.2	—18.4
Cotton Dress Goods	— 8.5	—11.4
Silverware and Jewelry	+12.1	— 5.9
Men's Clothing	+10.2	— 7.5
Men's Furnishings	+13.6	— 0.5
Boys' Wear	+17.6	+ 2.3
Women's Ready-to-Wear	— 5.3	— 0.2
Misses' Ready-to-Wear	+ 8.1	— 1.0
Juniors' and Girls' Ready-to-Wear	+18.1	+ 5.4
Millinery	— 6.3	— 8.2
Women's and Children's Gloves	+13.2	— 2.9
Corsets and Brassieres	— 3.3	+ 2.6
Women's and Children's Hosiery	+ 3.6	+ 3.3
Knit Underwear, inc. Glove Silk	+10.9	+ 1.1
Silk and Muslin Underwear	+ 1.7	— 0.2
Women's and Children's Shoes	+ 7.0	+ 0.5
Furniture	+10.8	+ 7.4

Although 61 per cent of the departments in the department stores showed increases over March, 1925, sales conditions varied widely, with more large increases and decreases than usual.



The total volume of sales of the Boston department stores during the Easter season of this year was less than during the Easter seasons of either last year or the year previous. Easter occurred on April 4, 1926, April 12, 1925, and April 20, 1924.


NEW ENGLAND WHOLESALE SHOE SALES
LEATHER FOOTWEAR
RUBBER FOOTWEAR
J F M A M J J A S O N D
1925
1926
% OF 1925 AVERAGE
1926 COMPARED WITH 1925
1925 COMPARED WITH 1924
% CHANGE OVER SAME MO

The excellent volume of rubber footwear business of New England wholesalers during February was continued in March. Sales of leather footwear in March were slightly less than in March last year.

NEW ENGLAND MARKETS

NEW ENGLAND BUSINESS ACTIVITY
Per Cent of 1922-1923 Monthly Average

	1926	1925	1924
January	104.5	103.9	102.5
February	104.9	103.8	103.9
March	104.9	102.5	99.0

The same New England cities as noted for the past few months, namely, the textile group, continue to show a smaller volume of business, as measured by check payments, than the average of the previous three years. In some of the other cities the extent above average has been gradually diminishing since the first of the year. During the first three weeks of April Boston showed the largest increase, while Fall River was 13 per cent below average.

Boston:—Manufacturing activity being well maintained. Small increases in total employment and proportion of workers on full time reported in March. Raw wool, leather and cotton goods markets quiet. Retail trade retarded by adverse weather conditions in recent weeks.

Brockton:—Volume of general business slightly above average in March and first half of April. Shoe shipments during first quarter 10 per cent below corresponding period of 1925.

Fall River:—Cotton mill activity curtailed slightly in April. Small increase in employment and full-time operations reported in March. Print cloth sales of relatively small volume.

Hartford:—Situation in manufacturing lines good. Employment conditions favorable, demand for workers in March being greater than a year ago. General business activity well above average.

Lowell:—Mill activity has expanded recently. Proportion of workers on full time in March, although still small, largest since January, 1925. Volume of general business below average.

Manchester:—General business continues of about average volume. Most manufacturing plants operating with reduced working forces. Woolen and cotton mill activity fairly well maintained.

New Bedford:—General business situation slightly unsatisfactory. Reports of curtailment in cotton mills issued late in April. Total employment and proportion of workers on full time in March increased over previous month.

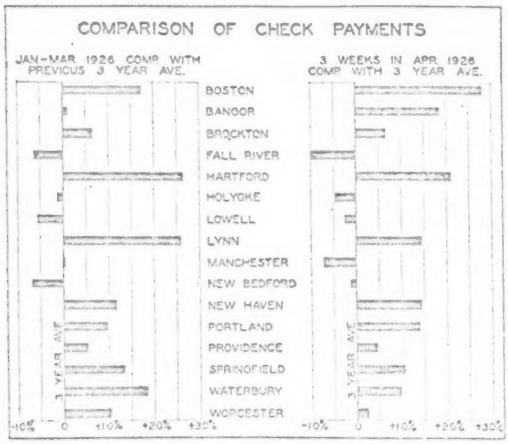
New Haven:—Manufacturing situation good; most plants on full time. Volume of general business above average in recent weeks. Retail trade during March fair, slightly above year ago.

Portland:—Most manufacturing plants operating with reduced working forces. Volume of business in recent weeks running slightly above average.

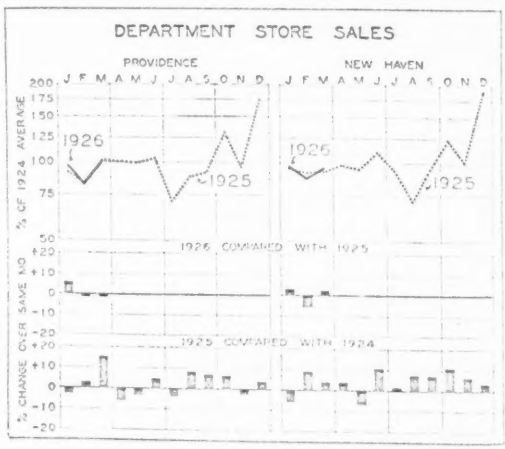
Providence:—General business and industrial situation fair. Tendency to curtail reported in textile manufacturing. Volume of retail trade during March about same as year ago.

Waterbury:—Manufacturing plants operating on practically full-time schedules. Employment situation fair. Volume of general business continues substantially above average.

Worcester:—Most metal trades manufacturing plants operating full time. Building industry less active this spring than year ago. Some unemployment evident in textile lines.



The majority of New England Industrial centers reported larger than average check payments during the first three weeks of April. Textile cities were important exceptions to the rule.



There was one more selling day in March this year than in March, 1925. If allowance is made for this, the average daily sales during March in both Providence and New Haven were considerably less than in March last year.

COMMODITY PRICES AND INDUSTRIAL CONDITIONS

Building:—With the arrival of more favorable weather, building activity in New England is again being carried on at a comparatively high rate. Contracts awarded during the first three weeks of April were 27 per cent greater than in the same period last year. During March the volume of new contracts showed a sharp seasonal increase, and the figures for that month were only one per cent below the corresponding month a year ago. The combined January and February total was seven per cent less than that of the corresponding months of 1925.

Business and industrial building during the first three months of this year accounted for 35 per cent of the total, compared with 20 per cent during the same period last year. The actual total value of these two classes of building combined was about 75 per cent greater than during the first quarter of 1925.

Commodity Prices:—Although wholesale commodity prices were weak during the greater part of April, some strengthening tendency was evident late in the month. During the first half, however, the trend on the whole was downward, continuing the movement which had prevailed since early in February. The stronger price situation late in April is illustrated by the gradually diminishing excess of declines over advances in Dun's list of wholesale quotations. However, there was still a substantial excess of declines in the third week of the month.

Leather:—Hide markets were fairly active during March and the early part of April. Prices were weak during this period, but late in April the price trend turned and moved slightly upward.

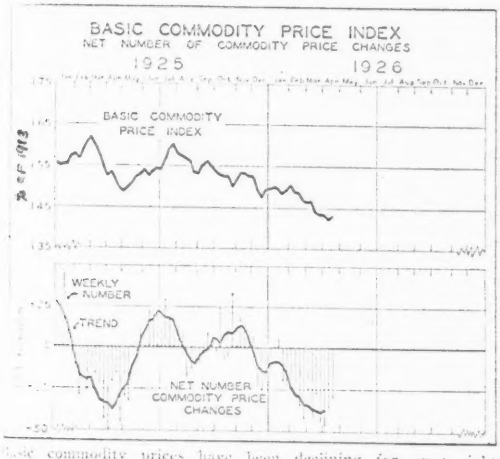
Boot and shoe production in New England during March showed a marked increase—25 per cent—over February, and was in slightly greater volume than in March last year. There was an increase of 11 per cent during March, compared with February, in the country exclusive of New England. As is shown on the accompanying chart, production in these states was still below a year ago.

Metals:—The New England pig iron and scrap markets showed some increase in activity during April. Prices still remain relatively low, and foreign iron continues an important factor in the market.

New England machine tool manufacturers reported activity at about 80 per cent of capacity early in April. The used tool market continued quiet and prices were reported weak.

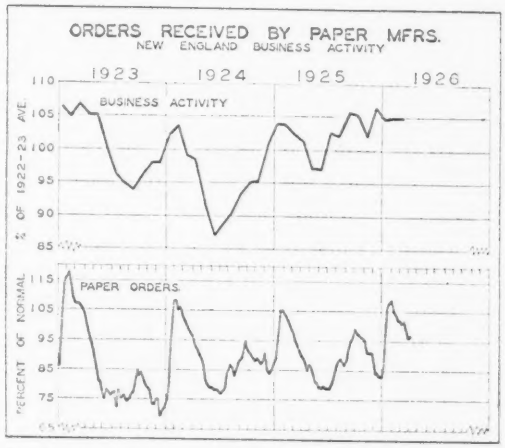
Daily output of pig iron in March increased to the highest rate reached since March a year ago. Steel ingot production has been maintained at a very high rate in recent weeks. During March output was the largest of any month on record, and production for the first quarter was greater than for any previous three months' period.

Paper:—Activity in the paper manufacturing industry continues at a relatively high rate, both in New England and throughout the country. Most mills are operating full time, and employment in local plants has been, on the whole, well maintained. Production of newsprint in the



Basic commodity prices have been declining for over eight months. Throughout this year, with the exception of two weeks in January, the majority of wholesale prices, both basic and other, have been declining.

Sources of data—Federal Reserve Bank of New York and "Dun's Review."



On the average, paper manufacturers' orders declined during March and early April. New England business has shown little change in its rate of activity during the first three months of this year.

Sources of paper data—Average of reports of Writing, Coated and Tissue Paper Manufacturers' Associations.

United States was of record volume in March, showing an increase of 15 per cent over March, 1925.

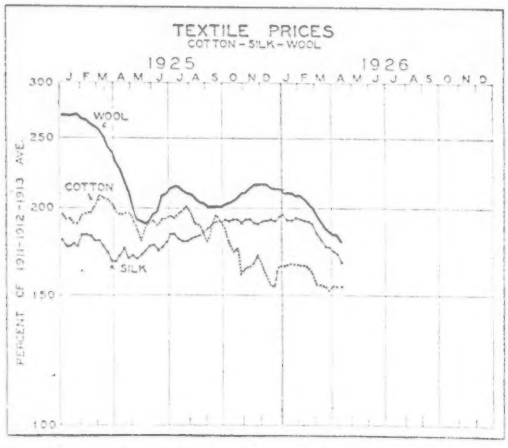
Orders received by paper mills increased seasonally during January to a point slightly above the same month of the two previous years. During February and March the usual seasonal decline began, but early in April orders were in larger volume than at the same time in 1924 and 1925.

Rubber:—The domestic demand for rubber continues strong, especially from the tire industry for original equipment, which so far this year has been operating at a high rate. Imports of crude rubber during the first two months of this year were 30 per cent more than in the same period of 1925. The following table shows the movement of prices and stocks during the early part of 1925 and 1926.

	Stocks—London (As of the third week of the month) —Tons—		Prices—New York —Cents per lb.	
	1926	1925	1926	1925
January	8,850	29,300	73	35
February	9,100	25,000	58	35
March	11,100	19,000	60	40
April	13,800*	16,500*	48	43

* First Week.

Textiles:—Although New England cotton mills are operating at a relatively high rate, about equal to the 1922-1923 monthly average, the situation is not entirely satisfactory. Considerable difficulty is reported in moving finished goods in the present state of the market. Evidence of mill curtailment was appearing late in April. Cotton consumption in March on a daily basis was very slightly less than in the previous month and March, 1925.



A continuous decline in the prices of the three leading textile fibres has been in progress throughout this year.

Sources of data—"New York Journal of Commerce" and Fairchild News Service.

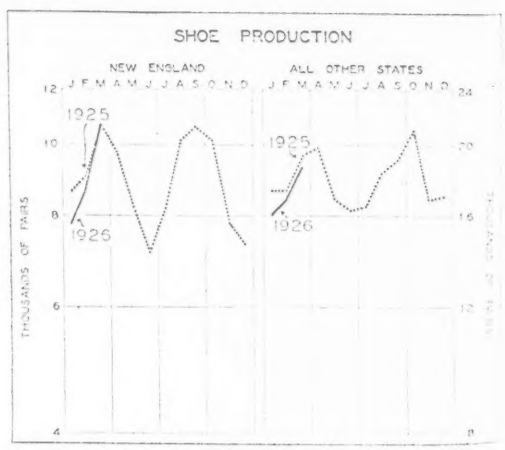
Business in the Boston wool market continues small. Mills are reported to be buying only such wool as is needed for current operations. Wool consumption in New England during March showed an increase of 5.5 per cent over February, slightly less than the usual seasonal extent, and an increase of the same extent over March, 1925. This is the first month to show an increase over the previous year since July, 1925.

A comparison of New England cotton and woolen mill activity during the first three months of 1925 and 1926 is shown in the following table.

NEW ENGLAND TEXTILE MILL ACTIVITY
Per Cent of 1922-1923 Monthly Average
(Corrected for Seasonal Variation)

	Cotton		Wool	
	1926	1925	1926	1925
January	100	101	78	99
February	99	102	84	91
March	109	101	83	78

The accompanying chart shows the recent trend of cotton, silk and wool prices. The effect of the large 1925-1926 crop on the price of cotton is evident, as quotations dropped sharply in the autumn of 1925, when the crop began to arrive on the market. Silk prices, due in large part to the exceptional demand, were strong during the greater part of last year. Recently, however, prices have dropped sharply, coincident with curtailment of mill operations. Wool prices recovered somewhat after the sharp decline early in 1925. A steady downward trend has been in progress since last December, however, and late in April quotations were lower than any time since the early summer of 1922. In relation to the pre-war average, wool is the highest of the three textile materials, while cotton is now the lowest.



New England shoe production during March exceeded the March total a year ago. In the remainder of the country, however, March production was about three per cent less than in March, 1925.

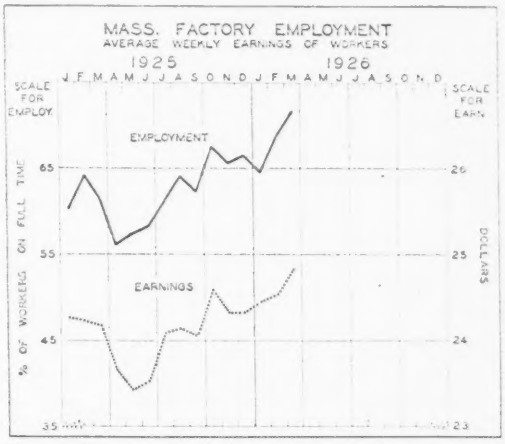
Source of data—U. S. Department of Commerce.

CURRENT LABOR CONDITIONS

Various barometers of the labor market indicate that during the past year, and especially in recent months, the New England employment situation, at least from the worker's point of view, has on the whole been favorable. Although factory and mill employment has been fairly steady, there has been no over-abundance of jobs, and the tendency has been for the rate of labor turnover to remain low.

This condition is illustrated by the chart below, showing the rate of labor turnover in Rhode Island factories, together with general business activity in New England. The upper line is the monthly ratio of voluntary departures to the total number of workers on the pay rolls of representative Rhode Island factories. During a period of dull or slowly improving business labor turnover is small. In times of great industrial activity, such as early in 1923, when jobs are plentiful and the demand for workers is high, the rate of turnover naturally rises to a high point.

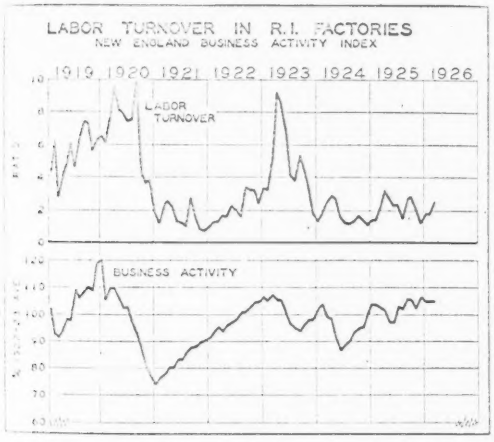
A second measure of the labor situation is that of "help-wanted" advertisements in newspapers. The second chart below shows the trend of the number of "help-wanted" advertisements for all kinds of help in four Boston newspapers, compared with the business activity index for Metropolitan Boston. It will be seen that there is a close correlation between the movements of the two lines. During the greater part of 1925 the demand for workers, indicated by the number of advertisements, showed a gradual increase from the low level prevailing during the greater part of 1924. Late in the year, however, the number of advertisements tended to decline. Weather conditions were responsible for the low figures of February this year, but the figures for January and March were considerably above those of the corresponding months of 1925.



Since April last year there has been a definite upward trend in both the number of workers on full time and their average weekly earnings.

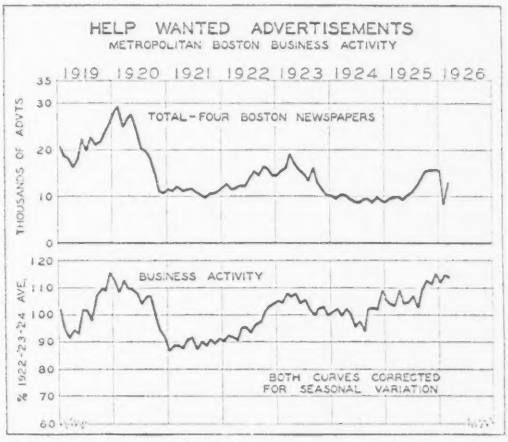
Source of data—Massachusetts Department of Labor and Industries.

The chart above, showing the proportion of workers on full time in Massachusetts factories and the average weekly earnings of these employees, indicates a gradual advance in both of these measures since the spring of 1925. A 20 per cent increase in weekly earnings since May, 1925, coming in a period during which living costs in Massachusetts have increased approximately two per cent, indicates a considerable advance in "real" wages or purchasing power of factory workers.


LABOR TURNOVER IN R.I. FACTORIES
NEW ENGLAND BUSINESS ACTIVITY INDEX
1919 1920 1921 1922 1923 1924 1925 1926
LABOR TURNOVER
BUSINESS ACTIVITY

"Labor turnover" is the ratio of voluntary quits to the total number on pay rolls in 24 representative Rhode Island factories. During the past year the rate has averaged higher than in the preceding year, but considerably lower than in 1923.

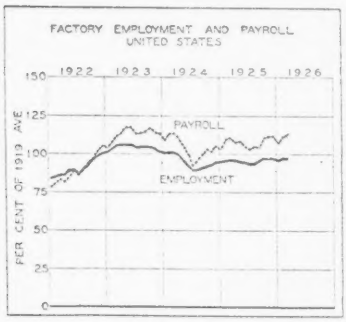
Source of data—Brown Bureau of Business Research.

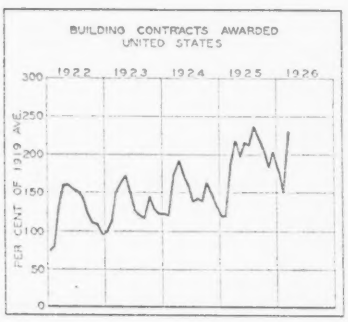

HELP WANTED ADVERTISEMENTS
METROPOLITAN BOSTON BUSINESS ACTIVITY
1919 1920 1921 1922 1923 1924 1925 1926
THOUSANDS OF ADVTS.
TOTAL—FOUR BOSTON NEWSPAPERS
BUSINESS ACTIVITY
% 1922-23-24 AVE.
BOTH CURVES CORRECTED FOR SEASONAL VARIATION

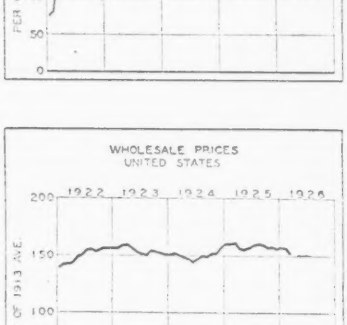
Although business activity in Boston during the first quarter of this year was as great as during any similar period since the war, the volume of advertisements for help wanted was relatively low.

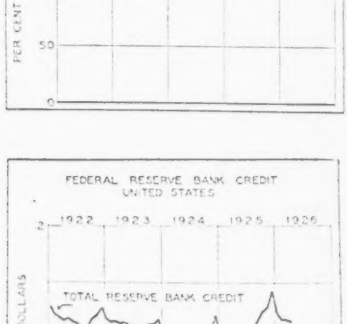
Sources of data—"Boston Globe" and Boston Chamber of Commerce.

SUMMARY OF BUSINESS CONDITIONS IN THE UNITED STATES









Industrial output increased in March, and the distribution of commodi ties continued in large volume, owing to seasonal influences. The leve of wholesale prices declined for the fourth consecutive month.

Production:—The Federal Reserve Board's index of production i basic industries increased in March to the highest level for more than year. Larger output was shown for steel ingots, pig iron, anthracite copper, lumber and newsprint, and there were also increases in th activity of textile mills. The output of automobiles increased further and was larger than in any previous month, with the exception of las October. Building contracts awarded also increased in March, as i usual at this season, and the total was near the high figure of last summe Particularly large increases in building activity, as compared with a yea ago, occurred in the New York, Atlanta and Dallas Federal reserve dis tricts. Contracts awarded continued larger during the first half o April than in the same period of last year. Condition of the winte wheat crop has improved since the turn of the year, and on April 1 wa estimated by the Department of Agriculture to be 84 per cent of norma compared with 68.7 per cent last year and an average of 79.2 per ce for the same date in the past ten years.

Trade:—Wholesale trade showed a seasonal increase in March, an the volume of sales was larger than a year ago in all leading lines excep dry goods and hardware. Sales of department stores and mail orde houses increased less than is usual in March. Compared with March year ago, sales of department stores were seven per cent, and sales o mail order houses nine per cent, larger. Stocks of principal lines of mer chandise carried by wholesale dealers, except groceries and shoes, wer larger at the end of March than a month earlier, but for most lines the were smaller than a year ago. Stocks at department stores showe slightly more than the usual increase in March, and were about three pe cent larger than last year. Freight carloadings during March continu at higher levels than in the corresponding period of previous year Shipments of miscellaneous commodities and merchandise in less tha load lots were especially large. Loadings of coal, owing to the lar production of anthracite, were also large, while shipments of coke d creased considerably from the high levels of preceding months.

Prices:—Wholesale prices, according to the Bureau of Labor Statisti index, declined by more than two per cent in March to the lowest lev since September, 1924. The decline was general for nearly all groups o commodities, and the largest decreases were noted in grains, cotton, woo silk, coke and rubber. In the first two weeks of April prices of ba commodities were steadier than in March. Prices of grains, flour an potatoes increased, while prices of cotton goods, wool, silk, bitumino coal, pig iron and rubber declined.

Bank Credit:—Commercial loans of member banks in leading citi were relatively constant, between the middle of March and the middle o April, at a level about $200,000,000 higher than at the end of January, bu approximately equal to the high point reached last autumn. Continue liquidation of loans to brokers and dealers was reflected in a further decline in the total of loans on securities, which on April 14 were mo than $500,000,000 below the high point reached at the end of last year.

At the reserve banks an increase in the volume of member ban borrowing during the last two weeks of March was followed by a marke decline in the first three weeks of April, which brought the total near th lowest level of the year. Holdings of U. S. securities increased continu ously during the month, while acceptances declined seasonally. Tot bills and securities were in smaller volume at the end of the period tha at any other time during the year, and only slightly larger than a year a

Open market rates on commercial paper declined in April from 4½ per cent to 4-4¼ per cent, and rates on acceptances and on secur loans were also lower in April than in March. On April 23 the discou rate of the Federal Reserve Bank of New York was reduced from four to 3½ per cent.